

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**HANCOCK, MICHIGAN**

**FINANCIAL STATEMENTS**  
**WITH SUPPLEMENTAL FINANCIAL INFORMATION**

**June 30, 2006**

## TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT .....</b>	<b>4</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS .....</b>	<b>6</b>
<b>BASIC FINANCIAL STATEMENTS:</b>	
<u>District Wide Financial Statements:</u>	
Statement of Net Assets .....	13
Statement of Activities .....	14
<u>Fund Financial Statements:</u>	
Governmental Funds:	
Balance Sheet .....	15
Statement of Revenues, Expenditures, and Changes in Fund Balance .....	16
<b>NOTES TO FINANCIAL STATEMENTS .....</b>	<b>17</b>
<b>REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION</b>	
Budgetary Comparison Schedule - General Fund .....	29
<b>OTHER SUPPLEMENTAL FINANCIAL INFORMATION</b>	
<u>Major Governmental Funds</u>	
General Fund - Statements of Revenues, Expenditures, and Changes in Fund Balances	
Budget and Actual .....	31
Special Education Fund - Statements of Revenues, Expenditures, and Changes in Fund Balances	
Budget and Actual .....	34
<u>Non-Major Governmental Funds</u>	
Combining Balance Sheets .....	36
Food Service Fund - Statements of Revenues, Expenditures, and Changes in Fund Balances	
Budget to Actual .....	37
Regional Media Educational Center - Statements of Revenues, Expenditures, and	
Changes in Fund Balances - Budget to Actual .....	38

**TABLE OF CONTENTS**  
**(Continued)**

	<u>Page</u>
<b>FEDERAL AWARD PROGRAMS:</b>	
Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed in Accordance with Government Auditing Standards .....	40
Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 .....	41
Schedule of Expenditures of Federal Awards .....	43
Schedule of Federal Financial Assistance Provided to Sub-Recipients .....	46
Notes to the Schedule of Expenditures of Federal Awards .....	47
Schedule of Findings and Questioned Costs .....	48
<b>LETTER OF COMMENTS AND RECOMMENDATIONS .....</b>	<b>49</b>



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### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
Copper Country Intermediate School District  
Hancock, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Copper Country Intermediate School District as of and for the year then ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Copper Country Intermediate School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Michigan School Auditing Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Copper Country Intermediate School District as of June 30, 2006, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 11, 2006 on our consideration of Copper Country Intermediate School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The management's discussion and analysis and budgetary comparison information on pages 6 through 12 and 29, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express any opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Copper Country Intermediate School District's basic financial statements. The additional information on pages 31 to 38 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Bruce A. Rukkila, CPA, PC*

Certified Public Accountants

October 11, 2006

**Copper Country Intermediate School District  
Management's Discussion and Analysis  
June 30, 2006**

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This section of Copper Country Intermediate School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2006. Please read it in conjunction with the District's financial statements, which immediately follows this section.

**Financial Overview**

During the 2005-06 fiscal year, the Copper Country Intermediate School District Board of Education and its administrative staff pursued a number of financial initiatives in an effort to improve opportunities for local school districts, increase efficiencies and ultimately control escalating costs. Below is a summary of these initiatives:

- Health Insurance: The CCISD initiated a change in health insurance coverage for its 14 non-union and administrative personnel. These employees are now covered by a Health Savings Account (HSA), which realized an annual savings of \$25,800. Additionally, the Board agreed to a three year contract with its teaching and support unions, ultimately tying the increase in salary to the cost of health insurance.
- Support Net Consortium: The CCISD in cooperation with REMC 1 developed a Consortium, which is designed to consolidate technology services for schools within the CCISD and GOISD. The primary focus of the consortium is to improve and extend technology support by centralization and specialization as well as reduce cost associated maintenance. REMC 1 maintains a central help desk for 13 school districts, Finlandia University and the public library. They utilize remote shared access to computers for quick repair and financial efficiency. In addition, professional development training is provided to all consortium members to enhance the delivery of technology to the classroom.
- Career & Technical Education: The CCISD recently expanded their Career and Technical Education program by developing a Construction Technology program for students within the ISD. The program was developed in cooperation with the Baraga Area Schools and is designed to prepare students for job entry in the construction field or advanced work in a technical school. In addition to providing a certified trades experience for students, the program has also generated additional added cost dollars for purchase of equipment and supplies.

**Overview of the Financial Statements**

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the District as a whole and represent an overall view of the District's finances.

*Statement of Net Assets and the Statement of Activities*

These statements provide information that help determine how the District is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

The District's net assets and the changes in the net assets during the year are reported by these two statements. Increases or decreases in the District's net assets is one way to determine if the financial position of the District is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the District.

## **Overview of the Financial Statements (Continued)**

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the District's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Special Education Fund, REMC, Debt Retirement Fund and School Food Service Fund.

Major Funds: Under GASB Statement 34, the audit focus has shifted from type of governmental fund to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the District, the General Fund and Special Education Fund meet this requirement

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller funds. Detailed information about non-major funds can be found after the notes to the financial statements.

- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information, other than Management Discussion and Analysis, provides information about the required budgetary comparison information on the general fund.
- Other supplementary information provides detailed information about the General, Special Education, and School Food Service Funds.

**Copper Country Intermediate School District**  
**Management's Discussion and Analysis**  
**June 30, 2006**

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**Summary of Net Assets**

	2006	2005
<b>Assets</b>		
Current and other assets	\$ 2,718,171	\$ 2,829,984
Capital assets - Net of accumulated depreciation	1,791,245	1,811,163
<b>Total Assets</b>	<u>\$ 4,509,416</u>	<u>\$ 4,641,147</u>
<b>Liabilities</b>		
Current liabilities	\$ 975,211	\$ 1,090,694
Long-term liabilities	732,890	741,910
<b>Total Liabilities</b>	<u>1,708,101</u>	<u>1,832,604</u>
<b>Net Assets</b>		
Invested in property and equipment - net of related debt	1,434,007	1,395,710
Unrestricted	1,367,308	1,412,833
<b>Total net assets</b>	<u>2,801,315</u>	<u>2,808,543</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 4,509,416</u>	<u>\$ 4,641,147</u>

**Results of Operations in Governmental Activities**

	2006	2005
<b>Program Revenue:</b>		
Charges for services	\$ 1,084,288	\$ 1,013,301
Grants and contributions	4,339,392	3,935,047
<b>General Revenue:</b>		
Property taxes	1,766,274	1,617,050
State foundation allowance	587,208	586,757
Other	(61,263)	(322,164)
<b>Total Revenue</b>	<u>7,715,899</u>	<u>6,829,991</u>
<b>Functions/Program Expenses</b>		
Instruction	2,041,052	1,852,029
Support services	4,808,625	4,426,166
Food services	16,662	18,684
Regional Educational Media Center	847,248	482,455
Interest on long-term debt	9,540	0
<b>Total Expenses</b>	<u>7,723,127</u>	<u>6,779,334</u>
<b>Change in Net Assets</b>	<u>(7,228)</u>	<u>50,657</u>
<b>Net Assets - Beginning</b>	<u>2,808,543</u>	<u>2,757,886</u>
<b>Net Assets - Ending</b>	<u>\$ 2,801,315</u>	<u>\$ 2,808,543</u>

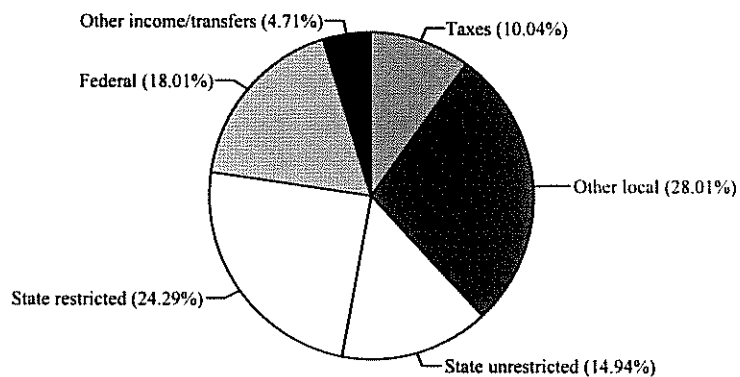


**Copper Country Intermediate School District  
Management's Discussion and Analysis  
June 30, 2006**

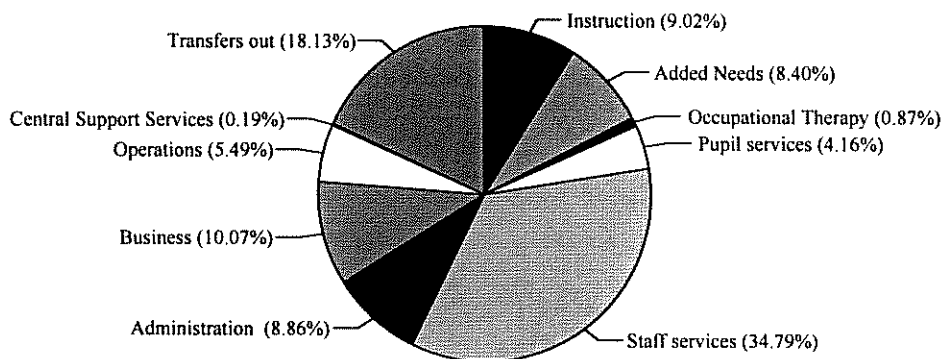
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The following charts highlight the District's General Fund activities:

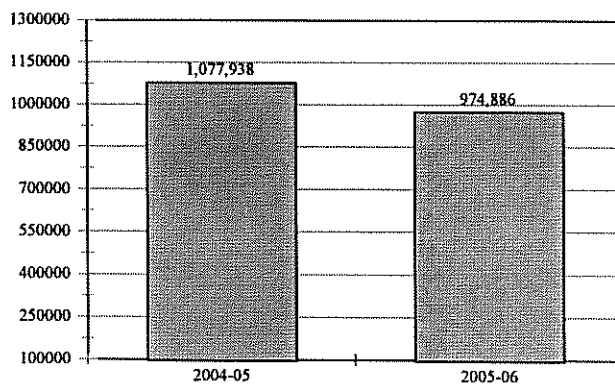
**2005-06 Revenues**



**2005-06 Expenditures**

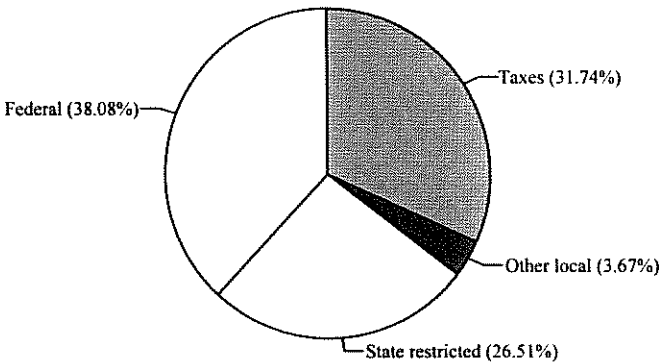


**Fund Balance Comparison**

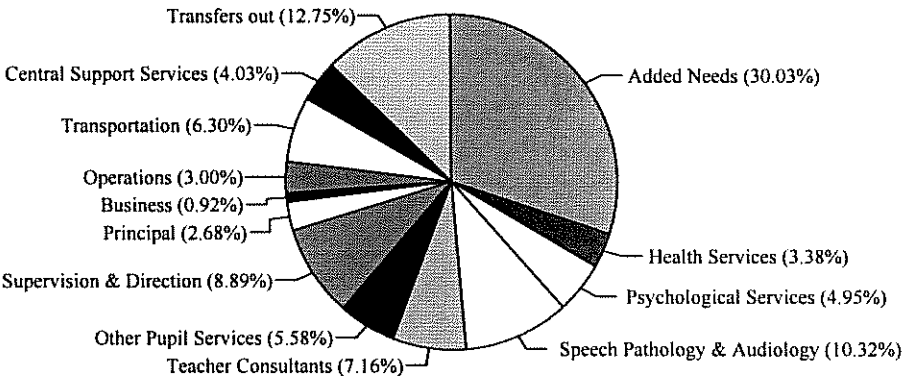


The following charts highlight the District's Special Education Fund activities:

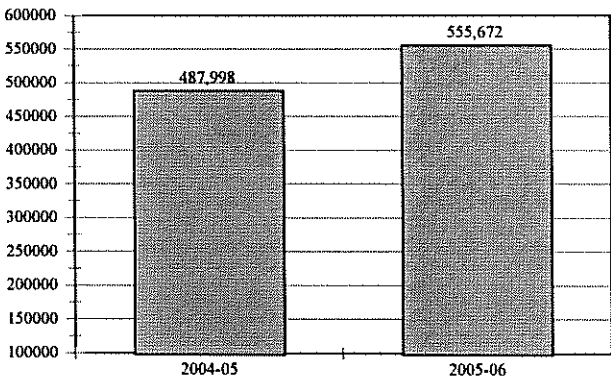
2005-06 Revenues



2005-06 Expenditures



Fund Balance Comparison



**Copper Country Intermediate School District  
Management's Discussion and Analysis  
June 30, 2006**

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**Significant Transactions and Changes in Individual Funds**

The overall financial position of the individual Governmental funds of the District did not change significantly from the previous year. A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
General Fund:			
Revenues/Transfers	\$ 3,351,190	\$ 3,088,621	\$ 262,569
Expenditures/Transfers	\$ 3,454,242	\$ 3,191,609	\$ 262,633
Fund Balance	\$ 974,886	\$ 1,077,938	\$ (103,052)
Special Education Fund:			
Revenues/Transfers	\$ 4,504,897	\$ 4,153,344	\$ 351,553
Expenditures/Transfers	\$ 4,437,223	\$ 4,015,020	\$ 422,203
Fund Balance	\$ 555,672	\$ 487,998	\$ 67,674
REMC Fund:			
Revenues/Transfers	\$ 927,823	\$ 556,778	\$ 371,045
Expenditures/Transfers	\$ 865,189	\$ 502,601	\$ 362,588
Fund Balance	\$ 276,832	\$ 214,198	\$ 62,634
School Food Service Fund:			
Revenues/Transfers	\$ 17,420	\$ 18,034	\$ (614)
Expenditures/Transfers	\$ 16,662	\$ 18,684	\$ (2,022)
Fund Balance	\$ 1,084	\$ 326	\$ 758

General Fund - Revenue and expenditures increased primarily from a school improvement grant administered by Office of Safe and Drug-Free Schools. The District was awarded the Carol M. White Physical Education Program (Pep Grant) for two years, starting in July 2005 through June 2006. This year the District received \$296,076 of the \$419,066 awarded.

Special Education Fund - Special revenue received increases in Flow-thru grant revenue, release of medicaid deferred revenue and increase of special education fees from other districts.

REMC - This year local school districts have joined a support network with the ISD. The local school districts receive assistance from the ISD technicians to support their technology. The ISD has increased personnel to meet the support needs of the local school districts.

School Food Service Fund - The Food Service program for the District has required a small operating transfers from the General Fund in recent years.

**General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the annual budget prior to the start of the fiscal year on July. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the fiscal year ended June 30, 2006, the original budget was adopted on June 20, 2005. Since the original budget is adopted two months before school is in session, we often have many unknowns such as the number of students we will have for the year. Since much of the District's revenue is determined based on the number of students enrolled, this unknown could have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances. Therefore, the District amended its budget twice during the fiscal year.

**Copper Country Intermediate School District  
Management's Discussion and Analysis  
June 30, 2006**

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**General Fund Budgetary Highlights (Continued)**

	Original Budget	Final Budget	Actual	Variance with final budget	% Variance
Revenues	\$ 3,020,533	\$ 3,646,613	\$ 3,193,262	\$ (453,351)	-14.2%
Expenditures					
Instruction	\$ 748,055	\$ 737,480	\$ 631,988	\$ 105,492	16.7%
Supporting services	3,192,120	2,619,234	2,195,886	423,348	19.3%
Total expenditures	\$ 3,940,175	\$ 3,356,714	\$ 2,827,874	\$ 528,840	18.7%
Other financing sources (uses)	\$ 729,642	\$ (479,899)	\$ (468,440)	\$ (11,459)	2.4%

The variances between revenue and expenditures represent various grant revenues that were expected to be expended before the year end. The grants include the Pep, Drug Free Schools, CTE, and the State Health. Some of these grants have been deferred at year end.

**Capital Assets and Debt Administration**

Capital Assets: The District's net investment in capital assets decreased by \$19,918 during the fiscal year. The decrease was mainly due to accumulated depreciation. The additions included copiers, tractor, generator, computers and servers. No debt was issued for these additions.

Additional information on the District's capital assets can be found on page 23 of this report.

Long-term Debt: At the end of the current fiscal year, the Districts total debt was \$353,300. This total amount is backed by the full faith and credit of the District. The District's total debt was decreased by \$58,579 during the fiscal year.

Additional information on the District's long-term debt can be found on page 24 of this report.

**Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations**

Durant Bond Payments

As part of the Durant settlement, non plaintiff school districts entitled to receive amounts greater than \$75,000 were offered a bonding option. The School District participated in the bonding option and on November 24, 1998 issued \$437,233 in school improvement bonds for the purpose of technology expenses and construction/renovation for the Career Center building. The balance of the bond issue is \$258,170.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Copper Country Intermediate School District.

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS**

**June 30, 2006**

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 434,853
Investments	1,343,616
Taxes receivable	99,988
Accounts receivable	209,357
Prepaid expense	44,803
Other assets	8,200
Due from other governmental units	<u>577,354</u>
TOTAL CURRENT ASSETS	<u>2,718,171</u>
NON-CURRENT ASSETS:	
Capital assets	4,610,599
Less: Accumulated depreciation	<u>(2,819,354)</u>
TOTAL NON-CURRENT ASSETS	<u>1,791,245</u>
TOTAL ASSETS	<u>\$ 4,509,416</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	\$ 420,528
Accrued expenses	184,370
Accrued interest	3,937
Deferred revenue	289,092
Other liabilities	15,707
Notes payable within one year	39,411
Bonds payable within one year	<u>22,166</u>
TOTAL CURRENT LIABILITIES	<u>975,211</u>
NON-CURRENT LIABILITIES:	
Bonds payable, due in more than one year	236,004
Installment loans payable, due in more than one year	55,720
Compensated absences	<u>441,166</u>
TOTAL NON-CURRENT LIABILITIES	<u>732,890</u>
TOTAL LIABILITIES	<u>1,708,101</u>
NET ASSETS:	
Invested in capital assets, net of related debt	1,434,007
Unreserved	<u>1,367,308</u>
TOTAL NET ASSETS	<u>2,801,315</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,509,416</u>

The accompanying notes to the financial statements are an integral part of this statement.

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2006**

	<u>Program Revenues</u>			<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<b><u>FUNCTIONS/PROGRAMS</u></b>				
Government Activities:				
Instruction and instructional support	\$ 2,041,052	\$ 877,162	\$ 3,253,323	\$ 2,089,433
Support services	4,808,625	-	1,067,790	(3,740,835)
Community services	-	25,818	-	25,818
Food service	16,662	1,284	11,135	(4,243)
Regional Media Educational Center	847,248	180,024	7,144	(660,080)
Interest on long-term debt	9,540	-	-	(9,540)
Total Governmental Activities	<u>\$ 7,723,127</u>	<u>\$ 1,084,288</u>	<u>\$ 4,339,392</u>	<u>(2,299,447)</u>
General Revenues:				
Taxes				
Property taxes, levied for general operations				1,686,842
Other taxes				79,432
State school aid - unrestricted				587,208
Interest and investment earnings				81,075
Other				409,261
Transfers				<u>(551,599)</u>
Total general revenues and transfers				<u>2,292,219</u>
Change in Net Assets				(7,228)
Net Assets - Beginning				<u>2,808,543</u>
Net Assets - Ending				<u>\$ 2,801,315</u>

The accompanying notes to the financial statements are an integral part of this statement.

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**June 30, 2006**

	General	Special Education	Other Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 251,013	\$ 12,140	\$ 171,700	\$ 434,853
Investments	721,093	622,523	-	1,343,616
Taxes receivable	16,813	83,175	-	99,988
Accounts receivable	119,371	11,008	78,978	209,357
Prepaid expense	-	26,219	18,584	44,803
Other assets	8,200	-	-	8,200
Due from other governmental units	323,307	253,527	520	577,354
Due from other funds	96,252	-	43,258	139,510
<b>TOTAL ASSETS</b>	<b><u>\$ 1,536,049</u></b>	<b><u>\$ 1,008,592</u></b>	<b><u>\$ 313,040</u></b>	<b><u>\$ 2,857,681</u></b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 185,035	\$ 231,560	\$ 3,933	\$ 420,528
Accrued expenses	77,572	95,439	11,359	184,370
Due to other funds	39,919	79,759	19,832	139,510
Deferred revenue	242,930	46,162	-	289,092
Other liabilities	15,707	-	-	15,707
<b>TOTAL LIABILITIES</b>	<b><u>561,163</u></b>	<b><u>452,920</u></b>	<b><u>35,124</u></b>	<b><u>1,049,207</u></b>
<b>FUND BALANCES:</b>				
Unreserved	<u>974,886</u>	<u>555,672</u>	<u>277,916</u>	<u>1,808,474</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 1,536,049</u></b>	<b><u>\$ 1,008,592</u></b>	<b><u>\$ 313,040</u></b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,791,245
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(794,467)
Accrued interest is not included as a liability in governmental funds	(3,937)
Net assets of governmental activities	<u>\$ 2,801,315</u>

The accompanying notes to the financial statements are an integral part of this statement.

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2006**

	General Fund	Special Education Fund	Other Non-major Governmental Funds	Totals
REVENUES:				
Local sources	\$ 1,274,986	\$ 1,595,162	\$ 440,860	\$ 3,311,008
State sources	1,314,846	1,194,464	110,668	2,619,978
Federal sources	603,430	1,715,271	18,175	2,336,876
Total revenues	<u>3,193,262</u>	<u>4,504,897</u>	<u>569,703</u>	<u>8,267,862</u>
EXPENDITURES:				
Instruction	631,988	1,332,377	-	1,964,365
Supporting services	2,195,886	2,539,317	-	4,735,203
Debt service	-	-	30,704	30,704
Food Service	-	-	16,662	16,662
REMC	-	-	865,189	865,189
Total expenditures	<u>2,827,874</u>	<u>3,871,694</u>	<u>912,555</u>	<u>7,612,123</u>
Excess (deficiency) of revenue over expenditures	<u>365,388</u>	<u>633,203</u>	<u>(342,852)</u>	<u>655,739</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	(51,952)	(5,000)	56,952	-
Incoming transfers - other schools	157,928	-	349,292	507,220
Outgoing transfers - other schools	(498,290)	(560,529)	-	(1,058,819)
Facilities acquisition	(38,978)	-	-	(38,978)
Loan payments	(37,148)	-	-	(37,148)
Total other financing sources (uses)	<u>(468,440)</u>	<u>(565,529)</u>	<u>(406,244)</u>	<u>(627,725)</u>
NET CHANGE IN FUND BALANCE	(103,052)	67,674	63,392	28,014
FUND BALANCES - BEGINNING OF YEAR	<u>1,077,938</u>	<u>487,998</u>	<u>214,524</u>	
FUND BALANCES - END OF YEAR	<u>\$ 974,886</u>	<u>\$ 555,672</u>	<u>\$ 277,916</u>	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation	(19,918)
Accrued expenses are recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(73,903)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	58,579
Changes in net assets of governmental activities	<u>\$ (7,228)</u>

The accompanying notes to the financial statements are an integral part of this statement.



**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Copper Country Intermediate School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant District accounting policies are described below.

**REPORTING ENTITY**

Copper Country Intermediate School District (the "District") is governed by the Copper Country Intermediate School Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the constituent's districts and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Numbers 14 and 39.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues and are reported as general revenues.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted for debt service; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenues). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenue must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The District does allocate indirect costs.

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government unit.

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the activities of specific school service Revenue sources such as the Special Education, Food Service, and Regional Educational Media Center (REMC).

Debt Retirement Fund - The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Accrual Method

The government-wide financials statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION**

Modified Accrual Method

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on pupil membership counts taken in February and September of 2005.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The State revenue is recognized during the foundation period and is funded through payments from October 2005 to August 2006. Thus, the unpaid portion at June 30<sup>th</sup> is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

*Other Accounting Policies*

Cash and cash equivalents

Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40, Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statues authorizes the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, banker's acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property Taxes

Property taxes levied by the District are collected and are periodically remitted to the District by cities, townships and schools in the counties of Baraga, Houghton, Ontonagon, and Keweenaw. The taxes are levied and become a lien as of December 1 and are due upon receipt of the billing by the taxpayer and becomes a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2006, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General fund	.3962
Special education	1.7110

Receivables and Payables

Activity between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

Inventory

The School District utilizes the purchase method of recording inventories of materials and supplies. Under the purchase method, inventories are recorded as expenditures when they are purchased.

Capital Assets

Capital assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the district wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Accrued Benefits

The liabilities for accrued benefits reported in the district wide statements in the amount of \$441,166, consisted of vacation and sick leave balances. The District, as part of the various employment contracts with its personnel, allows annual sick and vacation days. Each employment contract specifies an accumulation policy for unused sick and vacation days, as follows:

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Sick Leave** - All professional employees are allowed to accumulate sick days to a maximum of 180 days and non-professional 170 days. Sick days vest to the employee and are payable upon retirement at the lesser of 50% or \$7,500 (professional)/\$6,000 (nonprofessional). Certain school employees (administrative staff, secretaries, and other) are allowed to accumulate vacation days to a maximum of 30 days. Liability of the District for the employees' unused sick leave days at June 30, 2006 is \$382,130.

**Vacation Days** - Various employees of the District are allowed to accumulate vacation days in the year when they are earned. Liability of the District for the employees' unused vacation days at June 30, 2006 is \$59,036.

**Long-term Obligations**

In the district wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Reclassification**

Certain items in the prior year financial statements have been reclassified to conform with the current year presentation.

**NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The School District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978) enacted at a regular meeting by School Board approval. The Act provides that a local unit shall not incur expenditures in excess of the amount appropriated.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.
7. Budget appropriations lapse at the end of the fiscal year.

In the body of the financial statements, the School's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the general fund are noted in the required supplementary information section.

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006**

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**NOTE C - CASH AND INVESTMENTS**

As of June 30, 2006 the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)	Rating	%
MILAF - MICMS	\$ 348,421	.0837	AAA	28.05%
MILAF - MIMAX	493,779	.0837	AAA	39.75%
MILAF + TERM A	400,000	.0837	AAA	32.20%
Total fair value	<u>\$1,242,200</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>.0837</u>		

1 day maturity equals 0.0027, one year equals 1.00

**Interest Rate Risk** - In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit Risk** - State law limits investments in commercial paper corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**Concentration of Credit Risk** - The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial Credit Risk - Deposits** - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, \$331,280 of the District's bank balance of \$631,280 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

**Custodial Credit Risk - Investments** - For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

At year-end, the School District's cash deposits (checking, savings and certificates of deposit) and investments were reported in the basic financial statements in the following categories and breakdown between deposits and investments for the School District is as follows:

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006**

**NOTE C - CASH AND INVESTMENTS (Continued)**

	Governmental Activities
Unrestricted cash	\$ 434,853
Investments	1,343,616
Total deposits and investments	<u>\$ 1,778,469</u>

**NOTE D - RECEIVABLES**

Receivables from governmental units at June 30, 2006 consist of the following:

	General Fund	School Service	Food Service	Total
State	\$ 220,894	\$ 224,069	\$ 0	\$ 444,963
Local	10,077	2,022	0	12,099
Federal	92,336	27,436	520	120,292
	<u>\$ 323,307</u>	<u>\$ 253,527</u>	<u>\$ 520</u>	<u>\$ 577,354</u>

**NOTE E - CAPITAL ASSETS**

Capital Asset activity of the District's governmental activities was as follows:

	Balance 06/30/05	Additions	Deletions	Balance 06/30/06
Land	\$ 50,000	\$ 0	\$ 0	\$ 50,000
Building and additions	1,999,796	0	0	1,999,796
Building improvements	677,816	0	0	677,816
Improvements other than building	115,660	0	0	115,660
Equipment, furniture and fixtures	1,264,501	150,898	0	1,415,399
Vehicles	67,403	0	0	67,403
School buses	284,525	0	0	284,525
Subtotal	<u>4,459,701</u>	<u>150,898</u>	<u>0</u>	<u>4,610,599</u>
Accumulated depreciation:				
Building and additions	1,141,661	54,250	0	1,195,911
Building improvements	219,256	28,422	0	247,678
Improvements other than building	38,418	5,783	0	44,201
Equipment, furniture and fixtures	963,736	54,937	0	1,018,673
Vehicles	52,329	5,283	0	57,612
School buses	233,138	22,141	0	255,279
	<u>2,648,538</u>	<u>170,816</u>	<u>0</u>	<u>2,819,354</u>
Net capital assets	<u>\$ 1,811,163</u>	<u>\$ (19,918)</u>	<u>\$ 0</u>	<u>\$ 1,791,245</u>

Depreciation expense was charged to governmental activities of the District as follows:

Instructional	\$ 111,097
Supporting Services	47,912
REMC	11,807
Total	<u>\$ 170,816</u>

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006**

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**NOTE F - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved. The amounts of inter-fund receivables and payables as of June 30, 2006 are as follows:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Fund</u>	<u>Inter-fund Payable</u>
General	\$ 96,252	General	\$ 39,919
Special Education	0	Special Education	79,759
REMC	43,258	REMC	19,832
<b>TOTAL</b>	<b>\$ 139,510</b>	<b>TOTAL</b>	<b>\$ 139,510</b>

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Food Service	\$ 5,000	General	\$ 51,952
REMC	51,952	Special Education	5,000
<b>TOTAL</b>	<b>\$ 56,952</b>	<b>TOTAL</b>	<b>\$ 56,952</b>

**NOTE G - LONG TERM DEBT**

**INSTALLMENT LOANS**

The School District has an unsecured installment note payable with Superior National Bank. Original issue date was July 16, 1999 for \$375,000 with an 4.84% interest rate. The note matures on December 1, 2008.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006-2007	\$ 39,411	\$ 4,312	\$ 43,723
2007-2008	41,313	2,410	43,723
2008-2009	14,406	417	14,823
	<b>\$ 95,130</b>	<b>\$ 7,139</b>	<b>\$ 102,269</b>

**DURANT BOND**

As part of the Durant settlement, non plaintiff school districts entitled to receive amounts greater than \$75,000 were offered a bonding option. The School District participated in the bonding option and on November 24, 1998 issued \$437,233.50 in school improvement bonds for the purpose of technology expenses and construction/renovation for the Career Center building.

The bond issue matures as indicated below with interest not to exceed 8% per annum. Interest payments began on May 15, 2000 and are payable annually thereafter on May 15 as indicated. The annual payments will be appropriated by the State of Michigan and will be the only revenue source for making the annual debt service payment on the bonds. The District is under no obligation to make the annual payment in any year the legislature fails to appropriate the proper amount of funds.

The bond is not subject to redemption prior to maturity and the School District will not issue any other bonds or obligations for the purpose of refunding this bond. Even though the State of Michigan will be appropriating funds to pay the principal and interest, the bond is the obligation of the School District, not the State.



**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006**

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**NOTE G - LONG TERM DEBT (Continued)**

**DURANT BOND**

<u>Payable School Year</u>	<u>May 15 Interest</u>	<u>May 15 Principal</u>	<u>Total</u>
2006-2007	\$ 8,533	\$ 22,166	\$ 30,699
2007-2008	42,700	102,192	144,892
2008-2009	6,371	24,334	30,705
2009-2010	5,213	25,491	30,704
2010-2011	3,999	26,705	30,704
2011-2012	2,727	27,975	30,702
2012-2013	1,395	29,307	30,702
	<u>\$ 70,938</u>	<u>\$ 258,170</u>	<u>\$ 329,108</u>

The following is a summary of the changes in the general long-term debt for the year ended June 30, 2006:

	<u>Balance June 30, 2005</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2006</u>	<u>Current Portion</u>
Durant Bond	\$ 279,334	\$ 0	\$ 21,164	\$ 258,170	\$ 22,166
Installment Loan	132,545	0	37,415	95,130	39,411
	<u>411,879</u>	<u>0</u>	<u>58,579</u>	<u>353,300</u>	<u>\$ 61,577</u>
Accrued Interest	3,574	364	0	3,938	
Accrued Benefits	367,627	73,539	0	441,166	
<b>TOTAL</b>	<u>\$ 783,080</u>	<u>\$ 73,903</u>	<u>\$ 58,579</u>	<u>\$ 798,404</u>	

As of June 30, 2006, the aggregate maturities of long-term debt are as follows:

<u>School Year Payable</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006-2007	\$ 12,845	\$ 61,577	\$ 74,422
2007-2008	45,110	143,505	188,615
2008-2009	6,788	38,559	45,347
2009-2010	5,213	25,491	30,704
2010-2011	3,999	26,705	30,704
2011-2012	2,727	27,975	30,702
2012-2013	1,395	29,488	30,883
<b>TOTAL</b>	<u>\$ 78,077</u>	<u>\$ 353,300</u>	<u>\$ 431,377</u>

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006**

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**NOTE H - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN**

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service; or at age sixty with at least 10 years of credited service; or at age 60 with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPERS also provides death, disability, health, medical, dental, vision, and hearing insurance coverage. Benefits are established by state statute.

The District was required by the state statute to contribute 14.87% of covered compensation through September 30, 2005 and 16.34% of covered compensation to the Plan for the remainder of the year. The District contributions for the year ended June 30, 2006 was \$545,909 and equal the required contributions.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employees' service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPERS' fund status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among MPERS and employers. The MPERS does not make separate measurements of assets and pension benefit obligations for individual districts.

As of September 30, 2005 for the MPERS as a whole, the actuarial accrued liability was \$46.3 billion. The pension plan net assets were \$39 billion, resulting in a ratio of assets at market value to the actuarial accrued liability of 84.88%. Employer contributions are based upon level-percent-of-payroll principles so that the contribution rates do not have to increase over decades of time. The District's 2006 contribution represented less than 1% of total contributions required of all participating entities.

Ten year historical trend information showing the MPERS' progress in accumulating sufficient assets to pay benefits when due is presented in the MPERS' September 30, 2005 annual report. This report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000

The State of Michigan is responsible for the payment of retirement benefits.

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006**

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**NOTE I - SELF-FUNDED EMPLOYEE DENTAL PLAN**

Beginning December 1, 1994 the Copper Country Intermediate School District decided to stop carrying commercial dental insurance for its employees because of its prohibitive cost and began covering all claim settlements out of its general fund resources. Claims, expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses included an estimate of claims incurred but not reported. At June 30, 2006, the amount of these liabilities was \$12,834. This liability is the District's best estimate based on information available.

Changes in the reported liability since June 30, 2005, resulted from the following:

Liability at June 30, 2005	\$ 18,344
Current year claims and changes in estimates	48,673
Claim payments	(51,310)
Liability at June 30, 2006	<u>\$ 15,707</u>

**NOTE J - FOUNDATION REVENUE**

The State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. The Intermediate School District's foundation allowance is based on the average of the schools in its district.

**NOTE K - CONTINGENT LIABILITIES (RISK POOL)**

Copper Country Intermediate School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. Copper Country Intermediate School District joined together with other school districts currently operating a common risk management and insurance program. Copper Country Intermediate School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

Copper Country Intermediate School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The District is unable to provide an estimate of the amounts of additional assessments.

The MASB-SEG Property & Casualty Pool has published its own financial report for the year ended June 30, 2006, which can be obtained through the District.

**REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION**

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual	Variance
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES:				
Local sources	\$ 646,711	\$ 1,293,345	\$ 1,274,986	\$ (18,359)
State sources	1,505,237	1,505,927	1,314,846	(191,081)
Federal sources	868,585	847,341	603,430	(243,911)
TOTAL REVENUE	3,020,533	3,646,613	3,193,262	(453,351)
EXPENDITURES:				
Instruction	748,055	737,480	631,988	105,492
Supporting services	3,192,120	2,619,234	2,195,886	423,348
TOTAL EXPENDITURES	3,940,175	3,356,714	2,827,874	528,840
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(919,642)	289,899	365,388	75,489
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	(10,000)	(51,279)	(51,952)	(673)
Transfers from other districts	834,071	156,864	157,928	1,064
Transfers to other districts	(57,279)	(503,334)	(498,290)	5,044
Facilities acquisition	-	(45,000)	(38,978)	6,022
Loan payments	(37,150)	(37,150)	(37,148)	2
Total other financing sources (uses)	729,642	(479,899)	(468,440)	11,459
NET CHANGE IN FUND BALANCE	<u>\$ (190,000)</u>	<u>\$ (190,000)</u>	(103,052)	<u>\$ (86,948)</u>
FUND BALANCE - BEGINNING OF YEAR			1,077,938	
FUND BALANCE - END OF YEAR			<u>\$ 974,886</u>	

**SUPPLEMENTAL FINANCIAL INFORMATION**

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**Year Ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2005</u>
<b>REVENUES:</b>				
Local sources:				
Property tax	\$ 317,956	\$ 317,163	\$ 793	\$ 286,283
Other Taxes	20,000	19,293	707	7,912
Interest on delinquent taxes	1,300	1,017	283	1,397
Earnings from investments and deposits	22,000	33,653	(11,653)	18,276
Tuition	639,807	642,612	(2,805)	623,540
Rentals	115,790	100,518	15,272	96,778
Indirect cost reimbursement	172,400	155,850	16,550	154,173
Miscellaneous	4,092	4,880	(788)	3,281
Total local sources	<u>1,293,345</u>	<u>1,274,986</u>	<u>18,359</u>	<u>1,191,640</u>
State sources:				
State Aid - Unrestricted	500,716	500,716	-	501,504
Restricted grants	<u>1,005,211</u>	<u>814,130</u>	<u>191,081</u>	<u>916,701</u>
Total state sources	<u>1,505,927</u>	<u>1,314,846</u>	<u>191,081</u>	<u>1,418,205</u>
Federal sources:				
Pep Grant	419,066	296,076	122,990	-
Drug Free Schools	99,509	42,032	57,477	73,481
Technical Preparation	32,626	32,626	-	29,032
Building Bridges	83,078	53,146	29,932	39,482
Perkins	80,854	80,854	-	82,656
Other federal sources	<u>132,208</u>	<u>98,696</u>	<u>33,512</u>	<u>103,079</u>
Total federal sources	<u>847,341</u>	<u>603,430</u>	<u>243,911</u>	<u>327,730</u>
<b>TOTAL REVENUES</b>	<u>3,646,613</u>	<u>3,193,262</u>	<u>453,351</u>	<u>2,937,575</u>
<b>EXPENDITURES:</b>				
Instructional Services:				
Instruction:				
High School	294,215	282,040	12,175	260,426
Adult	31,675	30,054	1,621	23,744
Great Starts	<u>36,447</u>	<u>29,701</u>	<u>6,746</u>	<u>34,116</u>
Total Instruction	<u>362,337</u>	<u>341,795</u>	<u>20,542</u>	<u>318,286</u>
Added Needs:				
Compensatory Education	-	-	-	1,479
Career and Technical Education	<u>375,143</u>	<u>290,193</u>	<u>84,950</u>	<u>306,576</u>
Total Added Needs	<u>375,143</u>	<u>290,193</u>	<u>84,950</u>	<u>308,055</u>
Total Instructional Services	<u>737,480</u>	<u>631,988</u>	<u>105,492</u>	<u>626,341</u>

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (CONTINUED)**  
**Year Ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2005</u>
Supporting Services:				
Pupil Services:				
Truancy/Absenteeism Services	44,446	44,279	167	27,667
Social Work Services	59,364	59,364	-	58,698
Other Pupils Services	50,826	40,106	10,720	37,985
Total Pupil Services	154,636	143,749	10,887	124,350
Staff Services:				
Improvement of Instruction	933,441	672,442	260,999	515,744
Supervision & Direction	615,571	529,413	86,158	480,895
Total Staff Services	1,549,012	1,201,855	347,157	996,639
General Administration:				
Board of Education	58,650	54,517	4,133	52,517
Executive Administration	259,795	251,677	8,118	262,194
Total General Administration Services	318,445	306,194	12,251	314,711
Business Services:				
Fiscal Services	230,180	222,920	7,260	211,208
Internal Services	109,800	104,229	5,571	79,327
Other Business Services	26,735	20,663	6,072	31,152
Total Business Services	366,715	347,812	18,903	321,687
Operation and Maintenance	209,010	189,784	19,226	173,221
Central Support Services	21,416	6,492	14,924	28,942
Total Supporting Services	2,619,234	2,195,886	423,348	1,959,550
 TOTAL EXPENDITURES	 3,356,714	 2,827,874	 528,840	 2,585,891
 Excess (deficiency) of revenue over expenditures	 289,899	 365,388	 (75,489)	 351,684
 OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	(51,279)	(51,952)	(673)	(33,132)
Incoming transfers - other schools	156,864	157,928	(1,064)	151,046
Outgoing transfers - other schools	(503,334)	(498,290)	5,044	(505,522)
Facilities acquisition	(45,000)	(38,978)	6,022	(31,965)
Loan payments	(37,150)	(37,148)	2	(35,099)
Total other financing sources (uses)	(479,899)	(468,440)	(11,459)	(454,672)



**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (CONTINUED)**  
**Year Ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2005</u>
Excess (deficiency) of revenues and others financing sources over expenditures expenditures and other financing uses	<u>\$ (190,000)</u>	(103,052)	<u>\$ (86,948)</u>	(102,988)
FUND BALANCE, BEGINNING OF YEAR		<u>1,077,938</u>		<u>1,180,926</u>
FUND BALANCE, END OF YEAR		<u>\$ 974,886</u>		<u>\$ 1,077,938</u>

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**SPECIAL EDUCATION FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**Year Ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2005</u>
<b>REVENUES:</b>				
Local sources:				
Property tax	\$ 1,432,102	\$ 1,429,818	\$ 2,284	\$ 1,322,855
Interest on delinquent taxes	4,000	4,119	(119)	5,651
Earnings from investments and deposits	35,000	42,253	(7,253)	16,733
Contributions	1,000	450	550	2,230
Other revenue	105,678	118,522	(12,844)	134,478
Total local sources	<u>1,577,780</u>	<u>1,595,162</u>	<u>(17,382)</u>	<u>1,481,947</u>
State sources:				
Restricted - State Aid	<u>1,188,150</u>	<u>1,194,464</u>	<u>(6,314)</u>	<u>1,206,543</u>
Total state sources	<u>1,188,150</u>	<u>1,194,464</u>	<u>(6,314)</u>	<u>1,206,543</u>
Federal sources:				
Medicaid Outreach	140,000	139,345	655	54,799
MiBLSi	6,500	6,500	-	-
State Initiated Preschool Incentive	45,476	45,476	-	46,619
State Initiated EOSD	45,000	45,000	-	35,000
Autism Grant	3,352	3,352	-	2,522
Early On	145,153	130,803	14,350	82,673
Transition Grant	60,000	66,844	(6,844)	64,000
Flow Through	1,578,827	1,274,951	303,876	1,156,413
Other federal sources	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>22,828</u>
Total federal sources	<u>2,027,308</u>	<u>1,715,271</u>	<u>312,037</u>	<u>1,464,854</u>
<b>TOTAL REVENUES</b>	<u>4,793,238</u>	<u>4,504,897</u>	<u>288,341</u>	<u>4,153,344</u>
<b>EXPENDITURES:</b>				
Instructional Services				
Added Needs:				
Special Education	<u>1,521,334</u>	<u>1,332,377</u>	<u>188,957</u>	<u>1,206,682</u>
Supporting Services:				
Pupil Services:				
Health Services	148,090	150,197	(2,107)	129,905
Psychological Services	233,544	219,812	13,732	197,129
Speech Pathology and Audiology Services	471,895	457,774	14,121	452,838
Teacher Consultants	410,995	317,742	93,253	403,055
Other Pupils Services	<u>281,232</u>	<u>247,605</u>	<u>33,627</u>	<u>123,694</u>
Total Pupil Services	<u>1,545,756</u>	<u>1,393,130</u>	<u>152,626</u>	<u>1,306,621</u>

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**SPECIAL EDUCATION FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (CONTINUED)**  
**Year Ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2005</u>
Staff Services:				
Improvement of Instruction	-	-	-	2,522
Supervision & Direction	<u>395,841</u>	<u>394,622</u>	<u>1,219</u>	<u>389,437</u>
Total Staff Services	<u>395,841</u>	<u>394,622</u>	<u>1,219</u>	<u>391,959</u>
Office of the Principal	142,490	119,108	23,382	124,009
Other Business Services	46,800	40,836	5,964	32,854
Operation and Maintenance	144,250	133,325	10,925	112,778
Pupil Transportation	296,145	279,525	16,620	257,915
Central Support Services	<u>192,322</u>	<u>178,771</u>	<u>13,551</u>	<u>135,999</u>
Total Supporting Services	<u>2,763,604</u>	<u>2,539,317</u>	<u>224,287</u>	<u>2,362,135</u>
TOTAL EXPENDITURES	<u>4,284,938</u>	<u>3,871,694</u>	<u>413,244</u>	<u>3,568,817</u>
Excess (deficiency) of revenue over expenditures	508,300	633,203	(124,903)	584,527
OTHER FINANCING SOURCES (USES):				
Outgoing transfers - other schools	(562,300)	(560,529)	1,771	(441,203)
Operating transfer in (out)	<u>(6,000)</u>	<u>(5,000)</u>	<u>(1,000)</u>	<u>(5,000)</u>
Total other financing sources (uses)	<u>(568,300)</u>	<u>(565,529)</u>	<u>(2,771)</u>	<u>(446,203)</u>
Excess (deficiency) of revenues and others financing sources over expenditures expenditures and other financing uses	<u>\$ (60,000)</u>	67,674	<u>\$ (127,674)</u>	138,324
FUND BALANCE, BEGINNING OF YEAR		<u>487,998</u>		<u>349,674</u>
FUND BALANCE, END OF YEAR		<u>\$ 555,672</u>		<u>\$ 487,998</u>

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS**  
**June 30, 2006**

	Food Service	REMC	Totals Memorandum Only	
			2006	2005
ASSETS AND OTHER DEBITS				
Cash	\$ 564	\$ 171,136	\$ 171,700	\$ 476
Receivables	-	78,978	78,978	200,460
Prepaid expenses	-	18,584	18,584	28,175
Due from other funds	-	43,258	43,258	-
Due from other governmental units	520	-	520	14,520
TOTAL ASSETS	<u>\$ 1,084</u>	<u>\$ 311,956</u>	<u>\$ 313,040</u>	<u>\$ 243,631</u>
LIABILITIES				
Accounts payable	\$ -	\$ 3,933	\$ 3,933	\$ 12,551
Accrued expenses	-	11,359	11,359	2,106
Due to other funds	-	19,832	19,832	14,450
TOTAL LIABILITIES	<u>-</u>	<u>35,124</u>	<u>35,124</u>	<u>29,107</u>
FUND EQUITY:				
Fund balance - unreserved	<u>1,084</u>	<u>276,832</u>	<u>277,916</u>	<u>214,524</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,084</u>	<u>\$ 311,956</u>	<u>\$ 313,040</u>	<u>\$ 243,631</u>

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**FOOD SERVICE FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**Year Ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2005</u>
REVENUES:				
Local sources:				
Adult lunches	\$ 400	\$ 637	\$ (237)	\$ 843
Student lunches	1,100	647	453	1,439
Interest	-	1	(1)	1
Total local sources	<u>1,500</u>	<u>1,285</u>	<u>215</u>	<u>2,283</u>
State sources	<u>-</u>	<u>104</u>	<u>(104)</u>	<u>30</u>
Federal sources:				
School lunch program	<u>10,500</u>	<u>11,031</u>	<u>(531)</u>	<u>10,721</u>
Total federal sources	<u>10,500</u>	<u>11,031</u>	<u>(531)</u>	<u>10,721</u>
TOTAL REVENUES	<u>12,000</u>	<u>12,420</u>	<u>(420)</u>	<u>13,034</u>
EXPENDITURES:				
Purchase services	6,000	4,860	1,140	5,254
Supplies, materials, and other	<u>12,000</u>	<u>11,802</u>	<u>198</u>	<u>13,430</u>
TOTAL EXPENDITURES	<u>18,000</u>	<u>16,662</u>	<u>1,338</u>	<u>18,684</u>
Excess (deficiency) of revenue over expenditures	(6,000)	(4,242)	(1,758)	(5,650)
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	<u>6,000</u>	<u>5,000</u>	<u>1,000</u>	<u>5,000</u>
Excess (deficiency) of revenues and others financing sources over expenditures expenditures and other financing uses	<u>\$ -</u>	<u>758</u>	<u>\$ (758)</u>	<u>(650)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>326</u>		<u>976</u>
FUND BALANCE, END OF YEAR		<u>\$ 1,084</u>		<u>\$ 326</u>

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**REGIONAL MEDIA EDUCATIONAL CENTER FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2006**

REVENUES:	Budget	Actual	Variance	2005
Local sources:				
Merchandise sales	\$ 150,198	\$ 180,024	\$ (29,826)	\$ 132,028
Interest	100	396	(296)	22
Miscellaneous	255,797	259,155	(3,358)	249,005
Total local sources	406,095	439,575	(33,480)	381,055
State sources	79,860	79,860	-	79,860
Federal sources:				
Title V	7,144	7,144	-	11,631
Total federal sources	7,144	7,144	-	11,631
TOTAL REVENUES	493,099	526,579	(33,480)	472,546
EXPENDITURES:				
Educational media services	241,323	223,474	17,849	240,568
Distance Learning Consortium	671,784	641,715	30,069	262,033
TOTAL EXPENDITURES	913,107	865,189	47,918	502,601
Excess (deficiency) of revenue over expenditures	(420,008)	(338,610)	(81,398)	(30,055)
OTHER FINANCING SOURCES (USES)				
Transfers from other school districts	371,171	349,292	21,879	51,100
Operating transfers in (out)	33,837	51,952	(18,115)	33,132
	405,008	401,244	3,764	84,232
Excess (deficiency) of revenues and others financing sources over expenditures expenditures and other financing uses	\$ (15,000)	62,634	\$ (77,634)	54,177
FUND BALANCE, BEGINNING OF YEAR		214,198		160,021
FUND BALANCE, END OF YEAR		\$ 276,832		\$ 214,198

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**

**FEDERAL AWARDS**



**Bruce A Rukkila, CPA, PC**

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Education  
Copper Country Intermediate School District  
Hancock, Michigan

We have audited the financial statements of the Copper Country Intermediate School District as of and for the year ended June 30, 2006, and have issued our report thereon dated October 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Copper Country Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Copper Country Intermediate School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the school district's board of education, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Bruce A. Rukkila, CPA, PC*

Certified Public Accountants

October 11, 2006





**Bruce A Rukkila, CPA, PC**

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Copper Country Intermediate School District  
Hancock, Michigan

**Compliance**

We have audited the compliance of the Copper Country Intermediate School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Copper Country Intermediate School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Copper Country Intermediate School District's management. Our responsibility is to express an opinion on the Copper Country Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether a noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Copper Country Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Copper Country Intermediate School District's compliance with those requirements.

In our opinion, the Copper Country Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

**Internal Control Over Compliance**

The management of the Copper Country Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Copper Country Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the school district's board of education, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Bruce A. Rukkila, CPA, PC*

Certified Public Accountants

October 11, 2006

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended June 30, 2006**

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2005	Prior Year Expenditures	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2006	Amount Provided to Subrecipients
<i>U.S. Department of Education:</i>								
Carol M. White Physical Education Program 041700 0203	84.215F	\$ 419,066	\$ 0	\$ 0	\$ 280,000	\$ 296,076	\$ 16,076	\$ 0
Passed through Michigan Department of Education Handicapped Preschool & School Program								
050450 0405 PL 94-142 Flow Through	84.027	1,203,645	(76,341)	0	268,645	344,986	0	0
060450 0506 PL 94-142 Flow Through	84.027	1,233,841	0	0	925,000	929,965	4,965	0
060480 EOSED State Initiated/Department	84.027	45,000	0	0	45,000	45,000	0	0
060490 TS Idea State Initiated/Department	84.027	60,000	0	0	60,000	60,000	0	0
		2,542,486	(76,341)	0	1,298,645	1,379,951	4,965	0
060460 0506 Pre-School	84.173	45,476	0	0	45,476	45,476	0	0
061340 0190 Infant & Families	84.181	88,898	0	0	52,000	74,471	22,471	0
051340 0190 Infant & Families	84.181	91,506	(9,826)	0	46,506	56,332	0	0
		180,404	(9,826)	0	98,506	130,803	22,471	0
Federal Safe & Drug Free Schools								
062860 0506	84.186	71,446	0	0	20,000	13,969	(6,031)	0
052860 0506	84.186	28,063	0	0	28,063	28,063	0	0
052860 0405	84.186	47,122	(7,878)	0	(7,878)	0	0	0
		146,631	(7,878)	0	40,185	42,032	(6,031)	0
Title V Flow Through 050250-0405	84.298	7,144	0	0	7,144	7,144	0	0
Title IIA Teacher Quality Form	84.367	526	0	0	526	526	0	0
Total Michigan Department of Education		2,922,667	(94,045)	0	1,490,482	1,605,932	21,405	0
Passed Through Gogebic-Ontonagon ISD								
Tech Prep	84.243	29,032	10,246	10,246	10,246	0	0	0
Tech Prep	84.243	32,626	0	0	18,802	32,626	13,824	0
Vocational Education - Perkins III 063520	84.048	80,854	0	0	64,483	80,854	16,371	0
Vocational Education - Perkins III	84.048	86,981	23,870	23,870	23,870	0	0	0
Total Gogebic-Ontonagon ISD		229,493	34,116	34,116	117,401	113,480	30,195	0

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2006**

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2005	Prior Year Expenditures	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2006	Amount Provided to Subrecipients
Passed Through Marquette Alger ISD UP Cares Grant - Autism Project	84.027A	3,352	0	0	3,352	3,352	0	0
Passed Through Dickinson-Iron ISD Building Bridges	84.215X	52,750	0	0	11,024	35,224	24,200	0
Building Bridges	84.215X	30,328	18,397	18,397	18,397	0	0	0
Building Bridges	84.215X	30,328	0	0	13,946	17,922	3,976	0
		113,406	18,397	18,397	43,367	53,146	28,176	0
Passed Through Michigan Rehabilitation TS Idea State Initiated/Department	84.027	6,844	0	0	6,844	6,844	0	0
Passed Through Macomb ISD MiBLSi	84.027A	6,500	0	0	6,500	6,500	0	0
Passed Through Public Consulting Group Medicaid Outreach	93.778	139,345	0	0	139,345	139,345	0	0
Total U.S. Department of Education		3,840,673	(41,532)	52,513	2,087,291	2,224,675	95,852	0
<i>U.S. Department of Agriculture:</i>								
Passed Through Michigan Department of Education National School Lunch Program								
51950 Section 4 - All Lunches	10.555	193	0	0	193	193	0	0
61950 Section 4 - All Lunches	10.555	828	0	0	695	828	133	0
51960 Section 11 - Free & Reduced	10.555	589	0	0	589	589	0	0
61960 Section 11 - Free & Reduced	10.555	4,138	0	0	3,976	4,138	162	0
		5,748	0	0	5,453	5,748	295	0
51970 Breakfast	10.553	498	0	0	498	498	0	0
61970 Breakfast	10.553	3,090	0	0	2,864	3,090	226	0
		3,588	0	0	3,362	3,588	226	0
Food Distributions- Entitlement Commodities	10.550	1,567	0	0	1,567	1,567	0	0
Food Distributions- Bonus Commodities	10.550	128	0	0	128	128	0	0
		1,695	0	0	1,695	1,695	0	0
Total U.S. Department of Agriculture		11,031	0	0	10,510	11,031	521	0

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2006**

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2005	Prior Year Expenditures	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2006	Amount Provided - to Subrecipients
<i>U.S. Department of the Interior:</i> Keweenaw National Historical Park	15.999	15,700	0	0	15,700	6,034	(9,666)	0
<i>U.S. Environmental Protection Agency:</i> Grant NE96543101-1	66.999	24,756	(1,513)	18,292	4,951	6,464	0	0
<i>U.S. Department of Labor:</i> Passed Through Marquette Alger ISD Workforce Investment Act (WIA)	17.267	7,500	698	698	4,333	3,635	0	0
Passed Through Michigan Rehabilitation MiConnections	17.267	3,000	0	0	3,000	3,000	0	0
Passed Through Western U.P. Manpower Consortium Workforce Investment Act (WIA)	17.259	15,515	0	0	15,515	15,515	0	0
Workforce Investment Act (WIA)	17.250	9,175	0	0	9,791	9,791	0	0
Total Western U.P. Manpower Consortium		24,690	0	0	25,306	25,306	0	0
Total U.S. Department of Labor		35,190	698	698	32,639	31,941	0	0
<i>Corporation of National and Community Service(CNCS):</i> Passed Through Michigan Community Service Commission Learn and Serve	94.004	52,423	4,288	4,288	34,865	30,577	0	7,456
Learn and Serve	94.004	26,154	0	0	20,671	26,154	5,483	0
Total CNCS		78,577	4,288	4,288	55,536	56,731	5,483	7,456
<b>TOTALS</b>		<b>\$ 4,005,927</b>	<b>\$ (38,059)</b>	<b>\$ 75,791</b>	<b>\$ 2,206,627</b>	<b>\$ 2,336,876</b>	<b>\$ 92,190</b>	<b>\$ 7,456</b>

The accompanying notes to financial statements are an integral part of this statement.

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**  
**PROVIDED TO SUB-RECIPIENTS**  
**Year Ended June 30, 2006**

<u>Program Title/Sub-recipients</u>	<u>CFDA Number</u>	<u>Grant Award</u>	<u>Amount Transferred</u>
Learn to Serve	94.004		
Adams Township School District		\$ 1,000	\$ 1,000
Calumet Public Schools		3,000	3,000
Chassell Township Schools		1,000	1,000
Dollar Bay-Tamarack City Area Schools		1,000	1,000
Stanton Township Public School		<u>1,456</u>	<u>1,456</u>
		<u>\$ 7,456</u>	<u>\$ 7,456</u>

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - June 30, 2006**

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**NOTE A - OVERSIGHT AGENCY**

The U. S. Department of Education is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the school's expenditures of federal awards.

**NOTE B - BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

**NOTE C - FINAL COST REPORT - FORM DS4044**

The final cost reports are not due until 60 days after the end of the grant period. The reports for the current year grants were not completed as of the date of our report. However, we reviewed the reports filed for the prior year grants and noted that they agreed with either the prior year audited figures or the prior year and current year audit figures combined.

**NOTE D - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION**

A reconciliation of expenditures on the Schedule of Expenditures of Federal Awards to federal revenue recognized on page 16 of these financial statements is \$2,336,876. The amounts reported as current payments on the R7120, Grant Section Auditors Report, reconcile with the Schedule of Expenditures of Federal Awards as follows:

Total current payments per R7120	\$ 1,499,818
Less: Prior year accrued/deferred grant revenue	(38,059)
Plus: Payments received through other sources	815,691
Accrued/Deferred grant revenue	59,426
Receipts per Schedule of Expenditures of Federal Awards	<u>\$ 2,336,876</u>

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the year ended June 30, 2006**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued: Unqualified

Internal Control over financial reporting:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weaknesses? None Reported

Noncompliance material to financial statements noted? No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weaknesses? None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 520(a) of Circular A-133? No

Identification of major programs:

CFDA Number  
84.027/84.173

Name of Federal Program or Cluster  
P.L. 94-142 - Flow Through/State Initiated/Pre-School

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.





**Bruce A Rukkila, CPA, PC**

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### LETTER OF COMMENTS AND RECOMMENDATIONS

Board of Education  
Copper Country Intermediate School District  
Hancock, Michigan

In connection with our audit of the financial statements of the Copper Country Intermediate School District, as of and for the year ended June 30, 2006, the following concerns regarding the accounting records, procedures, and internal control structure came to our attention.

Our comments are based upon conditions noted during our audit and are not intended to be all inclusive. These comments are submitted as constructive suggestions to assist you in strengthening controls and procedures and are not intended to reflect on the honesty or integrity of any individual.

#### Public Act 738 - Electronic Transactions of Public Funds

The District should be aware of Act 738 – "Electronic Transactions of Public Funds". This Act affects electronic payments and transfers by local units, including school districts. The Act requires the District to adopt a resolution to authorize use of automated clearinghouse (ACH) arrangements. We noted that the District has adopted an ACH policy. Annually the board needs to designate an Electronic Transaction Officer. The Electronic Transaction Officer will be responsible for the ACH agreements that include payment approval, accounting, reporting, and compliance with the ACH policy.

#### Public Act 621 - Budget Over Expenditures

Public Act 621 of 1978, as amended, prohibits expenditures in excess of budgeted appropriations. Instances of violations of these provisions are readily ascertainable from the financial statements and the accompanying information. There were no material overages in the individual budgeted funds.

We would like to thank the administrative staff for the cooperation we received during our audit. We appreciate the opportunity to present these comments and recommendations for your consideration and we are prepared to discuss them at your convenience.

This report is intended for the information of the School District's Board of Education, the cognizant audit agency and other federal and state audit agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Bruce A. Rukkila, CPA, PC*

Certified Public Accountants

October 11, 2006